

PERFORMANCE AUDITING UNDER PUBLIC ACT 298 of 2012

OVERVIEW/INTRODUCTION

Public Act 298 of 2012 allows the Department of Transportation to request the local agency (road commission, county, city or village expending Act 51 monies) to engage an auditor to conduct a “performance audit” of whether it has expended funds in compliance with Act 51 of 1951, as amended (Act 51)ⁱ. Any local agency that is required to engage for such an audit will be notified by the Department of Transportation at least 6 months prior to the fiscal year for which the audit is to be conducted.

Performance audits completed under the provisions of Michigan Public Act 298 of 2012 must be performed by an independent certified public accountant that is currently licensed to practice in the State of Michigan or by an employee of the Department of Transportation. Such performance audits shall be made in accordance with the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (GAS). The objective of performance audits under these procedures is to determine whether State funds received by county road commissions, county boards of commissioners, any other county governmental agency acting as the county road authority, cities, and villages (hereinafter collectively referred to as Auditee) for transportation purposes were expended in compliance with provisions of (Act 51).

ENGAGEMENT

Practitioners should plan and perform the performance audits to determine compliance with Act 51. In addition to reviewing Act 51, practitioners can find guidance on Act 51 compliance using the Michigan Department of Treasury’s audit guides for local agenciesⁱⁱ and road commissionsⁱⁱⁱ when designing procedures to assess each Auditee’s compliance with such requirements.

In carrying out the performance audits, as stated in Chapter 6^{iv} of GAS^v, practitioners must assess internal control relative to the audit objective (Auditee compliance with Act 51).

The practitioner’s assessment of an Auditee’s internal control might identify internal control deficiencies and will serve as a basis for designing procedures to test and assess the Auditee’s compliance with Act 51 and, generally, will serve as a basis for the “cause” element of report findings, as noted in section 6.76 of GAS and mentioned later in this document.

REPORTING

Practitioners should prepare audit reports that contain (1) the objectives, scope (regarding both internal control and compliance), and methodology of the audit; (2) the audit results,

including internal control and/or compliance findings, conclusions, and recommendations, as appropriate; (3) a statement about the practitioner's compliance with GAS; (4) a summary of the views of responsible officials; and if applicable, (5) the nature of any confidential or sensitive information omitted^{vi}.

When practitioners identify significant control deficiencies, such as a poor design or an ineffective implementation of a well-designed control, the practitioner should include such deficiencies as findings in their performance audit report.^{vii}

When practitioners conclude, based on sufficient, appropriate evidence, that fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse either has occurred or is likely to have occurred which is significant within the context of the audit objectives, they should report the matter as a finding^{viii}. Each audit finding should contain a condition, criteria, cause, effect, and the resultant recommendation^{ix}.

Reports should also contain the practitioner's overall conclusions on the audit objectives which are based on related audit findings and other evidence considered by the practitioner; report conclusions are logical inferences about the program based on the practitioner's findings, not merely a summary of the findings^x.

ⁱ See *MCL 247.662* and *MCL 247.663*

ⁱⁱ Refer to the *Audit Manual for Local Units of Government in Michigan*

ⁱⁱⁱ Refer to the auditing procedures within the *Uniform Accounting Procedures Manual for County Road Commissions*

^{iv} See *GAS 6.16-6.27*

^v All references are to the 2011 Revision of GAS

^{vi} See *GAS 7.08*

^{vii} See *GAS 7.19*

^{viii} See *GAS 7.21*

^{ix} See *GAS 6.37, 6.74-6.77, and 7.14*

^x See *GAS 7.27*